



BANCA D'ITALIA  
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## 2023 Peer-to-Peer Financial Systems Workshop

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It is a pleasure for me to close this first day of the conference on Peer-to-Peer Financial Systems and I would like to thank all the participants and the speakers joining us. The wide and diversified floor of experts from a number of prestigious international institutions and universities, as well as important market operators engaged in innovative projects has enriched the institutional debate by providing interesting analytical and policy perspectives.

I would like to start with the general viewpoint we have seen today that the payments industry is and will continue to be an important "driver of innovation" that can shape and re-shape the entire financial sector. I believe that another important takeaway of the discussions we have had today is that central banks and regulators can play a key role in promoting what we can call "the good innovation" in the financial system by ensuring that the positive externalities of innovation benefit consumers and businesses alike. "Good innovation" together with "Trust", which is another recurrent word stressed today, will be the *leit motiv* of the thoughts I would like to share with you in closing this first day of the conference.

Let me start by talking about crypto-assets and the related platforms, which are based on distributed ledger technology and have an important potential in terms of providing cheap, fast and inclusive payment services, especially for cross-border and international transactions, in competition with those offered by regulated players that use legal tender currencies and standardised payment schemes. Available evidence, confirmed from what we heard today in some interventions, suggests that a large share of coins is held for investment purposes rather than being used as a means of payment. Market capitalization of crypto-assets is subject to large and sudden swings, very often correlated with aggregate inflows and outflows of large investors, news or changes in the stance of monetary policies. "Crypto winters" followed by "crypto springs" means not only market instability but also sudden shifts in end-users' "trust" regarding the innovation process in the sector of payments and financial services. High volatility discourages the use of crypto assets as a payment means and encourages the search for short term gains.

An effective contribution through which central banks provide "good innovation" is the design and development of central bank digital currencies. The response of the

Eurosystem, so far, is an important example. The considerable progress in the project of digital euro is the result of strong and continuous interactions with citizens and all relevant stakeholders and a full disclosure of the wide range of topics addressed during the investigation phase. Consumers' preferences, the roles of intermediaries, views on accessing and holdings of digital money, distribution and remuneration aspects, integration of services and functionalities are the main issues being examined. Private entities and innovation hubs already look at these developments with great interest and are exploring, as also discussed today in the roundtable, the best way central bank digital currencies may complement private money in a future digital environment. Assessing the potential substitution or complementarity relationship among the flourishing forms of digital money and, more generally, with the traditional payment instruments remains essential in the design of a CBDC and for its adoption.

Another more traditional way of shaping the market is by providing a clear regulatory framework to private entities whose business models are primarily based on innovative solutions, in which, again, central banks and regulators are deeply engaged. The entry into force of the Regulation on Markets in Crypto-assets, announced last June is a keystone of the EU's Digital Finance Strategy, alongside the EU's digital operational resilience act and DLT pilot regime. This is a first step towards establishing a system of rules and controls to build a single pan-European crypto market characterized by sound innovation, stability and customer protection where authorised service providers can do business across the European Union as effective part of its single market for digital finance. The Bank of Italy is actively involved in this process by participating in the international work on crypto-assets, on the regulation of platforms within the standard-setting bodies and by drawing the attention of customers and supervised intermediaries to the risks arising from trading and investing in crypto-assets.

The last panel session streamlined another eco-system based on technological process that is rapidly evolving in the sector of retail payments and financial services. We know that the Payment Services Directive allowed the European market to make progress in terms of higher harmonization along national borders and stronger competition among market operators. New operators, enabled by digital technologies, entered the market and provided 'open banking' services based on the sharing of data between banks and financial technology firms. However, more sophisticated types of fraud have emerged, limiting the user experience of consumers at risk and affecting their trust in the new payment solutions. In response to these developments, the European Commission is revising the regulatory framework to improve consumer protection and further levelling the playing field between banks and non-banks. The work for PSD3 is intense and needs to be aligned with other policies and legislation, such as the General Data Protection Regulation, the Electronic Money Directive and the previously mentioned Market in Crypto Assets Regulation. Despite regulation, sound and safe technological standards in the API context will remain essential since the path that will lead open banking towards open finance will be based on parties that potentially do not know each other and that can only trust each other.

I would like here to conclude, by thanking all participants to this very interesting workshop. We have collected today experiences and thoughts from central banks, universities and

market operators' representatives of different countries. I think we have ensured a wide variety of perspectives and a lively discussion in this first day. I am sure that we will have a very interesting and productive meeting also tomorrow morning.

Well, for those who participate, thank you very much. Finally, I would like to thank, again, the Bank of Italy, UCL and the DLT Science Foundation for making this event a success and all the speakers, discussants and panellists for the interesting sessions.

